

## A Shelter Expenses and Deduction



Shelter expenses are expenses incurred to provide shelter to the budgetary unit. The expenses are used to determine benefit amounts and identify whether the budgetary unit's expenses exceed their income.

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### Policy

For NA, a shelter expense may result in a shelter expense deduction.

For CA, shelter expenses may affect the CA Payment Standard. For more information about the A1 and A2 payment standards, see [CA Payment Standard](#).

### Shelter Deduction

The shelter deduction is not the actual shelter cost obligation. The shelter deduction is the total shelter costs added with the utility allowance that exceeds 50% of the budgetary unit's net income after all other deductions and allowances have been applied.

When the budgetary unit does not include a participant that is elderly or has a disability, the shelter deduction cannot exceed the **higher** of the following:

- The maximum shelter deduction amount. (See [maximum shelter deduction](#) for the amount.)
- The NA homeless shelter deduction when the budgetary unit is [homeless\(g\)](#) and incurs a shelter expense. (See [NA homeless shelter deduction](#) and [Elderly or Have a Disability - NA Special Considerations](#) for more information.)

The shelter deduction does not have a maximum limit when the budgetary unit includes a participant that is elderly or has a disability.

Any portion of the shelter expense that is paid by **any** of the following is not an allowable expense:

- Vendor payment (For more information, see [Vendor Payment Income](#).)
- Reimbursement (For more information, see [Reimbursements](#).)
- Rental discount
- In-kind payment (For more information, see [In-Kind Income](#).)

### Multiple Residences in the Same Month

Shelter costs for the budgetary unit when expenses of two or more residences occur in the same month are allowable for NA only when **any** of the following applies:

- The budgetary unit occupies and is billed for shelter costs on more than one residence because of employment or training away from home.
- The budgetary unit moves and is billed for shelter expenses for more than one residence during the same month.

### Unoccupied Shelter Costs

Shelter costs of a temporarily unoccupied residence are allowable for NA only when **all** of the following apply:

- The budgetary unit intends to return to the residence.
- The residence is not leased or rented to others.
- The residence is unoccupied for **any** of the following reasons:
  - Illness
  - Employment or training away from home
  - Abandonment caused by a natural disaster or [casualty loss\(g\)](#)

Quick access to the types of shelter expenses:

- [Disaster Costs](#)
- [Homeowner Association Fees](#)
- [Housing Allowance](#)
- [Mortgage](#)
- [Public Housing](#)
- [Rent](#)
- [Rental Space](#)
- [Shelter Insurance](#)
- [Subsidized Housing](#)
- [Taxes](#)

### Disaster Costs

A disaster cost expense exists when there is damage to the budgetary unit's shelter caused by a natural disaster.

Disaster cost expenses, including charges for the repair of a home damaged or destroyed by a natural disaster, such as a fire or flood, are allowable for NA only.

However, the cost of repair or replacement that has been or will be reimbursed by relief agencies, insurance companies, or other sources is not an allowable expense.

NOTE Designation of a disaster area by a local, state, or federal agency is not required. Implementation of the Disaster Nutrition Assistance Program (DNAP) is not required.

The participant has the option of **one** of the following:

- A one-time deduction for the month after the month the expense is incurred or billed.
- Averaging the expense through the end of the NA approval period starting with the month the change became effective.

### **Homeowner Association Fees**

Mandatory homeowner association (HOA) fees are allowable for NA.

### **Housing Allowance**

A housing allowance is allowed when a CA budgetary unit pays rent to an NA budgetary unit and both are part of the same NA case. The housing allowance allows the A1 Payment Standard, but does not allow the rent amount as an additional expense for NA.

### **Shelter Insurance**

The following shelter insurance expenses are allowable:

- Fire insurance for the residence itself when billed separate from the mortgage. This includes mandatory fees billed by a rural fire department for fire protection.  
NOTE Average fire protection mandatory fees over the number of months the bill is intended to cover, no matter how long the approval period is or when it started.
- Flood insurance for the residence itself.
- Vehicle insurance (comprehensive and collision) when the participant is living in the vehicle.
- Lenders Interest Coverage that is a required part of the insurance coverage on the property.
- Private Mortgage Insurance (PMI) required by the lender for protection in case of foreclosure.
- Homeowners insurance for the house itself.
- Rental insurance for the structure itself.
- Any portion of personal liability insurance that covers the structure.

The following insurance payments are not allowable:

- Disability insurance
- Death-Life insurance
- Rental insurance (when insuring furniture or personal belongings)
- Personal liability insurance that does not cover the structure

## Mortgage

Mortgage payments are an allowable expense deduction for NA.

To receive the expense, the housing unit must be occupied by the budgetary unit or temporarily unoccupied with certain criteria. (See [Unoccupied Shelter Costs](#) for a list of criteria.) Mortgage payments include the following:

- All mortgage payments.  
NOTE When a mortgage is obtained for medical expenses, treat the repayment as a shelter expense and not a medical expense.
- Home equity loan payments, regardless of why the money was obtained or how it was used.
- Interest payments.
- Payments for a connecting piece of property to a participant's home and lot, when financed by a second mortgage or other loan secured by the home and lot.
- Portions of the closing costs on a home that are identified as taxes and insurance.
- Other continuing charges that lead to ownership of the housing unit. Continuing charges include the following:
  - Bills for mortgage during foreclosure proceedings.
  - Payments on loans issued for the repair of housing units given to participants under the Homestead Act.
  - Personal loan payments that are secured by a lien on the property.
  - Charges for buying land on which a mobile home is located.
  - Vehicle payments when the participant is living in the vehicle.
  - Vehicle insurance (comprehensive and collision) when the participant is living in the vehicle.

However, a [Reverse Mortgage\(g\)](#) is not an allowable shelter expense deduction for NA.

The following are not allowable as part of the mortgage payment:

- Penalties for late payments, arrearages, and closing costs.
- Down payments on a home.
- Federal Housing Authority (FHA) mortgage payments made during any moratorium period granted by FHA.
- License plate fees on a vehicle that the participant is living in.

## Public Housing

Public housing provides housing for eligible low-income families, the elderly, and persons with disabilities for little or no cost. The property is generally owned by a government agency.

Public housing payments are an allowable expense deduction for NA.

(See <https://housing.az.gov/general-public/arizona-public-housing-authority-section-8-0> for more information on public and subsidized housing)

## Rent

Rent, rental taxes, and mandatory surcharges that are billed to every tenant as part of the rent for a primary housing unit are allowable for NA.

**NOTE** Do not allow fees that are not mandatory such as late charges and deposits for such things as pets, tool sheds, washers, dryers, and furniture. Do not allow rental insurance for furniture and personal belongings, even when it is mandated by the landlord or on the lease.

Allow rental shelter expenses for the primary housing unit, including the following:

- Rent and taxes on a motel or hotel room.
- Fees for a campground space.
- Charges for renting land where a mobile home is located. (See [Rental Space](#))
- The portion of rental insurance that is for the structure only.

**NOTE** When structure coverage is not known, the entire amount of the rental insurance is not an allowable expense.

- Residential fees to live in a Group Living Arrangement (GLA).

## Rental Space

Charges for rent on a space or lot for a mobile home or trailer in which the budgetary unit resides, are allowable as a shelter deduction for NA.

## Subsidized Housing

Subsidized housing provides reduced rates for housing for eligible low-income families, the elderly, and persons with disabilities. The property is generally privately owned and paid for entirely or partially by a government agency.

Subsidized housing payments are an allowable expense deduction for NA.

(See <https://housing.az.gov/general-public/arizona-public-housing-authority-section-8-0> for more information on subsidized housing)

## Taxes

Property taxes, (state and local assessments on the structure or the property itself, billed separately from the mortgage), are allowable shelter expense deductions for NA.

NOTE These expenses are averaged over the number of months the bill is intended to cover, no matter how long the approval period is or when it started. (See [Example 1](#))

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## Procedures

When a CA budgetary unit pays rent to an NA budgetary unit and both are part of the same NA case, the rent amount is considered a housing allowance. The rent amount must be keyed as a housing allowance to ensure AZTECS allows the A1 Payment Standard, but does not allow the rent amount as an additional shelter expense for NA.

Request verification for expenses when **any** of the following occurs:

- New application
- Renewal application
- When a reported change in the expense or address is received (See [Effecting Changes](#) for change procedures)
- When the expense amount is [questionable\(g\)](#)



For the safety of the participant, do not upload any document that shows the actual address of an Address Confidentiality Program (ACP) participant. Any person who intentionally obtains or discloses information regarding the physical address of an ACP participant is potentially guilty of a class one misdemeanor. (See [ACP](#) for more information about the program)

## Budgeting

The budgetary unit shelter expenses are calculated based on the expenses for which the budgetary unit expects to be billed during the approval period.

When the actual amounts of expenses for a budget month are unknown, project the expense based on the most recent month's bill unless the participant is reasonably certain a change will occur. When a change is anticipated, a participant's statement of the amount can be used as verification.

Expenses that are billed less often than monthly may be averaged over the period the billings are intended to cover. Budgetary units may elect to have expenses that vary averaged over the approval period.

### Budgeting Disaster Costs

When the participant decides they would like a one-time deduction of disaster costs, budget the full amount in the month after the month the expense is incurred or billed.

When the participant decides they want the amount averaged, complete the following:

- Determine how many months are to be averaged.

The averaging period begins with **one** of the following:

- The first month of the approval period when the disaster cost is reported with a new application, renewal application, or during the interview.
- The effective month of the change when a change is reported. (See [When to Effect Changes](#) for guidance.)

The averaging period ends with the last month of the benefit approval period.

- The budgeted amount is the full amount divided by the months to be averaged. (Round up the amount for the first month when the budgeted amount cannot be divided evenly.)

NOTE Document CADO that the disaster costs must be removed at the next renewal.

When the participant does not identify an option or cannot decide, average the cost.

(See [Example 2](#) for assistance with the averaging instructions.)

### Keying Shelter Expense Amounts

The exact amount keyed in the shelter expense is used to determine NA benefits. It is important to key only the current shelter obligation.

Carefully review documented verification and discuss with the participant whether the shelter obligation includes utilities or expenses that are not allowed (e.g., late penalties, rental insurance of furniture, etc.). When the shelter expense is itemized and contains utility expenses or expenses that are not allowed, key only the allowable shelter expense. Key allowable utility expenses separately. When allowed shelter expense types are itemized with another allowed shelter expense type, key the total amount as one shelter expense type. When the amounts are not itemized and cannot be separated, key the entire amount. (See [Example 3](#))

Key the budgeted amount on the appropriate screens in AZTECS.

Key only expenses that have been verified by participant statement, documented, or collateral contact verification. When requested verification is not provided, determine the benefit amount without allowing the unverified expense. Do not deny or close the case because the expense was not verified.

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### Verification

For NA, participant statement verification can be used as the primary source of verification for shelter expenses when no other verification is available at the time of the interview or change, except when **any** of the following occur:

- The expense is in another person's name who is outside the budgetary unit.
- The participant's statement is [questionable\(g\)](#).

For CA, participant statement verification can be used as the primary source of verification for the A2 payment standard when there is no obligation to pay a shelter expense. (See [CA Payment Standard](#) for additional information about payment standards.)

Expenses must be verified only when **any** of the following occurs:

- New application
- Renewal application
- When a reported change in the expense or address is received (See [Effecting Changes](#) for change information)
- When the expense amount is questionable

### **For Disaster Costs**

Verification of disaster cost must include **all** of the following:

- The damage was caused by a natural disaster.
- The cost of repair or replacement.
- The portion of the expense that will not be reimbursed by a relief agency, insurance company, or other source.

### **For Shelter Insurance**

When participant statement verification cannot be used, examples of verification that can be used for shelter insurance include the following:

- Insurance bill
- Insurance receipt
- Collateral contact to the insurance company
- Yearly escrow statement from mortgage lender
- Authority To Release Information (FAA-1765A) form completed by the insurance agency

### **For Mortgage**

When participant statement verification cannot be used, examples of verification that can be used for mortgage includes the following:

- Mortgage receipt
- Mortgage record
- Mortgage agreement
- Collateral contact to the mortgage company
- Mortgage payment book



### For Rent

When participant statement verification cannot be used, examples of verification that can be used for rent includes the following:

- Rent receipt
- Collateral contact to the landlord
- Lease
- Verification of a residential fee to live in a Group Living Arrangement (GLA)
- Verification of Living Arrangements/Residential Address (FAA-0065A) form

### For Rental Space

When participant statement verification cannot be used, examples of verification that can be used for rental space includes the following:

- Rental space receipt
- Lease
- Collateral contact to the rental agent

### For Taxes

When participant statement verification cannot be used, examples of verification that can be used for shelter taxes includes the following:

- Tax receipt
- Tax bill
- Collateral contact to the tax assessor office
- Tax Assessor's online information
- Yearly escrow statement
- Authority To Release Information (FAA-1765A) form completed by the County Assessor's office

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### AZTECS Keying Procedures

Unless the budgetary unit includes a disqualified NA participant, key the budgeted amount next to the participant who is responsible to pay the bill. When the budgetary unit includes a disqualified participant, see [Disqualified NA Participants Effect on the NA Benefit Amount](#) for additional keying instructions.

Key the budgeted amount corresponding Expense Code on EXNS (or EXPC when the expense is billed other than monthly) for **any** of the following shelter expenses:

- Disaster Costs - DS
- Homeowner Association Fees - MO HF
- Housing Allowance - HA
- Insurance - IN
- Mortgage - MO
- Public Housing - RE PH
- Rent - RE
- Rental Space - RS
- Property Tax - TX
- Subsidized Housing - RE SU

**NOTE** When the utility amount is itemized with the rent or mortgage payment, remove the utility amount from the shelter expense total. Key utility expenses and shelter expenses separately on EXNS or EXPC. When the amounts are not itemized and cannot be separated, key the entire amount as a shelter expense

When expenses that are not allowed are itemized with expenses that are allowed, key only the allowable expenses on EXNS or EXPC.

### Converting to a Monthly Amount

Key expenses billed monthly on EXNS. When the expense is billed other than monthly, use EXPC to convert the expense to a monthly amount. Key **one** of the following Frequency Codes in the FREQ field on EXPC:

- WK when billed on a weekly basis. AZTECS converts the amount to a monthly amount by multiplying the amount keyed by 4.3.
- BW when billed on a bi-weekly basis (every two weeks). AZTECS converts the amount to a monthly amount by multiplying the amount keyed by 2.15.
- SM when billed on a semi-monthly basis (twice a month). AZTECS converts the amount to a monthly amount by multiplying the amount keyed by 2.
- QR when billed on a quarterly basis (four times per year). AZTECS converts the amount to a monthly amount by dividing the amount keyed by 3.
- SE when billed on a semi-annual basis (twice per year). AZTECS converts the amount to a monthly amount by dividing the amount keyed by 6.
- AN when billed on an annual basis (once per year). AZTECS converts the amount to a monthly amount by dividing the amount keyed by 12.
- OC when billed on an occasional basis. AZTECS converts the expense keyed by multiplying the amount by 1.

To access EXPC, key Y in the WS field on EXNS and press the Enter key. After keying the information on EXPC, press the Enter key to return to EXNS. AZTECS processes EXPC and displays the converted expenses on EXNS.

**NOTE** Do not convert an expense when it is less than a full month's expense due to the expense starting or stopping. Key the actual expense using the AC Frequency Code on EXPC for the month billed and change it for ongoing months.

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### Examples

- 1) The participant's annual property taxes of \$600 are due each October. Divide the bill by the number of months the payment is intended to cover, which in this example is 12 months.

The property tax would be \$50 per month ( $\$600/12=\$50$ )

**NOTE** When keying the property tax, complete **one** of the following using the TX Expense Code:

- Key the amount calculated of \$50 on EXNS for the monthly amount.
- Key the total amount of \$600 on EXPC and key the AN Frequency Code in the FREQ field on EXPC. (AZTECS does the math by converting the annual amount to a monthly amount.)

- 2) Adam Zuckerman reports a \$400 shelter expense which is identified as a disaster cost on 02/01 with supporting verification. During a severe hailstorm on 01/15, all of Adam's windows on his van were broken. (Adam and his family live in the van.) His insurance is covering everything but the \$400 deductible.

Adam has requested the amount be averaged over the remaining portion of his approval period. Adam's NA approval period ends on 04/30. The ending month is April.

The start month of the budgeting is February (The change was reported and verified 10 calendar days before the benefits were issued for February.)

Average the amount over three months (February, March, and April). The average amount would be  $\$400/3=\$133.333$ . Budget the following amounts:

- February \$133.34
- March \$133.33
- April \$133.33

Key the following using the DS Expense Code on EXNS:

- February \$133.34
- March and ongoing months \$133.33

Document CADO to remove the DS expense at the next renewal.

- 3) Jane presents a rent bill for \$605 which states that the rent of \$600 includes electricity and water. A late fee of \$5 was added because last month's payment was late. The late fee is not an allowable expense and must be removed from the total. Key \$600 using the RE Expense Code on EXNS. Do not key anything using the EL or WA Expense Codes on EXNS. The amounts allocated to the utilities are not itemized so they cannot be used toward the utility allowance.

Harriet presents a bill which states that the rent of \$600 includes electricity. The amount of \$50 is allocated to electricity and is itemized on the bill. Key \$550 using the RE Expense Code on EXNS. Key \$50 using the EL Expense Code on EXNS.

Leslie presents a mortgage bill of \$900 which itemizes that \$800 is allocated for the mortgage, \$70 for the property taxes, and \$30 for the property insurance. Key \$900 using the MO Expense Code on EXNS because each item listed is an allowable shelter expense.

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### Legal Authorities

7 CFR 273.9(d)(6)(i)  
7 CFR 273.9(d)(6)(ii)  
7 CFR 273.9(d)(6)(ii)(A)-(E)  
7 CFR 273.10(d)  
7 CFR 273.10(d)(1)(i)  
7 CFR 273.10(d)(1)(ii)  
7 CFR 273.10(d)(2)-(5)  
7 CFR 273.10(e)(1)(i)(H)  
7 CFR 273.10(g)(1)(i)(B)  
AAC R6-12-101.57  
AAC R6-12-503  
AAC R6 12-705

### [Prior Policy](#)

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